
LOAN AGREEMENT

Dated as of May 1, 2008

between

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

as Issuer

and

BELLARMINE UNIVERSITY INCORPORATED

as Borrower

(and Assignment of Issuer's Interest
to U.S. BANK NATIONAL ASSOCIATION, as Trustee)

relating to

\$27,500,000

Louisville/Jefferson County Metro Government
College Refunding and Improvement Revenue Bonds, Series 2008A
(Bellarmine University Project)

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THIS LOAN AGREEMENT (the "Loan Agreement"), dated as of May 1, 2008, is by and between LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT (the "Issuer"), a consolidated local government of the Commonwealth of Kentucky, and BELLARMINE UNIVERSITY INCORPORATED (the "University"), a Kentucky nonprofit corporation.

Recitals

A. The Issuer is authorized by the Industrial Buildings for Cities and Counties Act, as amended, Kentucky Revised Statutes ("KRS") 103.200 to 103.285 (the "Act"), to issue industrial building revenue bonds and to loan the proceeds thereof to any person to finance the cost of any "industrial building" (as defined in the Act), including specifically land, buildings, improvements, equipment, machinery, and other facilities suitable for any nonprofit educational institution in any manner related to or in furtherance of the educational purposes of such institution, including but not limited to classroom, laboratory, housing, administrative, physical educational and medical research and treatment facilities, in order to accomplish the public purposes of promoting the economic development of the Commonwealth of Kentucky (the "State"), relieving conditions of unemployment, and encouraging the increase of industry therein.

B. The Act further authorizes the Issuer to issue its refunding bonds under the provisions of the Act to refund bonds issued and outstanding under the Act, together with any unpaid interest thereon, to create any necessary debt service reserve fund, and to pay the cost of any improvements or additions to the project financed from the proceeds of the bonds to be refunded, and of any premiums, expenses, and commissions required to be paid in connection therewith, which refunding bonds shall be payable from the revenues out of which the bonds to be refunded were payable.

C. The University, formerly named Bellarmine College, is an institution of higher education and has applied to the Issuer for the issuance of industrial building revenue bonds of the Issuer and the loan of the proceeds thereof to the University to (i) advance refund a portion the outstanding Louisville/Jefferson County Metro Government, College Revenue Bonds (Bellarmine College Project), Series 2006 (the "Prior Bonds") (the refunding of the Prior Bonds being hereinafter referred to as the "Refunding Project"); (ii) finance costs of the completion of the construction, remodeling and equipping of an approximately 33,350 square foot facility consisting of classrooms and faculty offices, and the construction, installation and equipping of an approximately 38,900 square foot residence hall located at 2001 Newburg Road, Louisville, Kentucky, for use by the University in furtherance of its nonprofit educational purposes and for other miscellaneous capital expenditures; (such capital improvements being hereinafter collectively referred to as the "New Money Projects", and the Refunding Project and the New Money Projects being hereinafter collectively referred to as the "Project"); and (iii) pay costs of issuance of the bonds.

D. The Issuer has determined to issue \$27,500,000 aggregate principal amount of its College Refunding and Improvement Revenue Bonds, Series 2008A (Bellarmine University Project) (the "Project Bonds") pursuant to the Indenture hereinafter mentioned and loan the proceeds thereof to the University pursuant to this Loan Agreement to finance the costs of the Project.

E. The Bonds are secured, in part, by an assignment to the Trustee of this Loan Agreement and the payments due thereunder (except Unassigned Rights) and by all the moneys and securities in the funds established under the Indenture to pay the Costs of the Project.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby and in consideration of the mutual covenants hereinafter contained, do hereby agree as follows:

ARTICLE 1. DEFINITIONS AND REPRESENTATIONS

Section 1.1. Definitions. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture. In this Loan Agreement and any agreement supplemental hereto (except as otherwise expressly provided or unless the context otherwise requires) terms used as defined terms in the recitals hereto shall have the same meanings throughout this Loan Agreement, and in addition the following terms shall have the meanings specified below:

“Annual Debt Service” shall mean, with respect to each Fiscal Year, the sum of principal and interest required to be paid on all indebtedness of the University (including capitalized leases) during such Fiscal Year.

“Appraiser” shall mean an appraiser who is a member of the Appraisal Institute.

“Assignment” shall mean the Assignment of even date herewith by the Issuer of all its right, title, and interest in and to this Loan Agreement, except for Unassigned Rights, to the Trustee.

“Certified Public Accountant” shall mean a Person appointed by the University Board, actively engaged in the business of public accounting and duly licensed as a certified public accountant under the laws of the State, and who is independent and not an employee of the University and who is reasonably satisfactory to the Trustee.

“Determination of Taxability” means (a) any determination, decision or decree by the Commissioner of Internal Revenue or any District Director of Internal Revenue or any court of competent jurisdiction, or an opinion received by the Trustee from Bond Counsel reasonably acceptable to the Issuer and, provided that no Event of Default has occurred and remains uncured, the University, that an Event of Taxability has occurred, or (b) the filing by the University or the Trustee of any statement, supplemental statement, or other tax schedule, return or document that discloses that an Event of Taxability has occurred.

“Environmental Law” shall have the meaning set forth in Section 8.11 hereof.

“Event of Taxability” means any act, failure to act or use of the proceeds of the Bonds, any change in use of the Project Facilities or any misrepresentation or inaccuracy in any of the representations, warranties or covenants contained in this Loan Agreement or the Tax Compliance Agreement by the University, that results in the interest on the Bonds being, or a determination that the interest on the Bonds is, includable in gross income for federal income tax purposes.

“Fiscal Year” shall mean the fiscal year of the University, which shall be the period commencing on the first day of June of each year and ending on the last day of May of the following year, unless the Trustee is notified by the University of a change in such fiscal year.

“Generally Accepted Accounting Principles” shall mean those accounting principles applicable in the preparation of financial statements of nonprofit institutions of higher education located in the United States, as promulgated by the Financial Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body.

“Gross Revenues” shall mean, for any period, in the case of the University, (i) unrestricted and temporarily restricted operating revenues, plus (ii) revenues from unrestricted and temporarily restricted non-operating activities, as determined in accordance with Generally Accepted Accounting Principles; provided, however, that no determination thereof shall take into account (a) any gain or loss resulting from the early extinguishment of indebtedness, (b) the equity in the earnings or losses from any investments in Affiliates, or (c) permanently restricted gifts, grants, bequests, or donations.

“Gross-Up Interest Payment” means, with respect to any interest payment on the Bonds (including payments made before an Event of Taxability), an additional payment in an amount sufficient such that the sum of the interest payment (excluding the additional payment) plus the additional payment would, after being reduced by the federal tax (including interest and penalties) actually payable thereon, equal the amount of that interest payment before adding the additional payment.

“Indenture” shall mean the Trust Indenture of even date herewith between the Issuer and the Trustee, as originally executed, or if amended or supplemented as therein provided, as so amended or supplemented.

“Insurance Consultant” shall mean a Person who shall be appointed by the University, qualified to survey risks and to recommend insurance coverage for facilities and services and organizations engaged in like operations and having a favorable reputation for skill and experience in such surveys and such recommendations, and who may be a broker or agent with whom the University transacts business, and who is satisfactory to the Trustee in its reasonable discretion.

“Insurer” means Radian Asset Assurance Inc., a corporation organized under the laws of the State of New York.

“Loan” shall have the meaning set forth in Section 2.1 hereof.

“Maximum Annual Debt Service” shall mean the greatest amount of Annual Debt Service payable in the current or any subsequent Fiscal Year.

“Net Revenues Available for Debt Service” shall mean, with respect to the University for any Fiscal Year, the change in unrestricted and temporarily restricted net assets, less net realized and unrealized gain or loss on investments and funds held in trust by others, plus depreciation, interest expense and amortization, plus the budgeted transfer (as shown in the

Annual Budget) from the unrestricted net assets of the University to the operating funds of the University.

“Permitted Encumbrances” shall mean and include the following:

1. Any lien or encumbrance on the Gross Revenues securing Bonds or Additional Parity Debt issued under the [Bond Document] or securing other indebtedness permitted to be incurred and secured by a lien or encumbrance as set forth in the [Bond Document];
2. Any lien or encumbrance securing indebtedness that is subordinate to the Bonds and Additional Parity Debt;
3. Any lien or encumbrance arising by reason of good faith deposits by the Institution in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the Institution to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;
4. Any lien or encumbrance arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose as required by law or regulation (A) as a condition to the transaction of any business or the exercise of any privilege or license, or (B) to enable the Institution to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with worker’s compensation, unemployment insurance, or pension or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for companies participating in such arrangements;
5. Any judgment lien against the Institution, so long as the finality of such judgment is being contested and execution thereon is stayed and (A) provision for payment of the judgment has been made in accordance with applicable law or by the deposit of cash or investments with a commercial bank or trust company or (B) adequate insurance coverage is available to satisfy such judgment;
6. Any mechanic’s, laborer’s, materialman’s, supplier’s or vendor’s lien or right in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in good faith;
7. Any zoning laws and similar restrictions which are not violated by the property affected thereby;
8. Any right, title and interest of the state, municipalities and the public in and to tunnels, bridges and passageways over, under or upon a public way;
9. Any lien or encumbrance on property received by the Institution through gifts, grants or bequests, such lien or encumbrance being due to restrictions on such gifts, grants or bequests or property or income thereon; and

10. Any lien or encumbrance for taxes, special assessments, or other governmental charges not then delinquent or being contested in good faith. “Person” shall mean and include an individual, a corporation, a general or limited partnership, a limited liability company, an association, a joint stock company, a trust, any other unincorporated organization, a governmental body or any political subdivision, a municipality, a municipal authority, or any other entity.

“Prior Bonds” shall mean the Series 2006 Bonds.

“Project Facilities” shall mean the property of the University to be acquired, constructed, or installed as part of the New Money Projects.

“Series 2006 Bonds” shall mean the outstanding Louisville/Jefferson County Metro Government College Refunding and Improvement Revenue Bonds, Series 2006 (Bellarmine University Project).

“State” means the Commonwealth of Kentucky.

“University” shall mean Bellarmine University Incorporated, formerly named Bellarmine College, a Kentucky nonprofit corporation.

“University Agreements” means collectively this Loan Agreement and the Tax Compliance Agreement.

“Unassigned Rights” shall mean the right of the Issuer to be paid Administrative Expenses; the right of the Issuer to receive indemnification from the University pursuant to this Loan Agreement; the right of the Issuer to receive notices under the Loan Agreement, the Indenture, or any related document; and the obligations under the Loan Agreement to be performed only by the Issuer, which rights are not assigned to the Trustee pursuant to the Indenture.

The terms “redeemed” and “redemption” and “prepay” and “prepayment” are used interchangeably herein and in the Indenture.

Section 1.2. Representations and Warranties by University. The University makes the following representations and warranties as of the date hereof:

A. The University is a nonprofit corporation duly incorporated under the laws of the State, is in good standing and duly authorized to conduct its business in the State, and is a “nonprofit educational institution” within the meaning of the Act. The University is organized and operated exclusively for educational and charitable purposes and not for pecuniary profit, and no part of the net earnings of the University inures to the benefit of any person, private stockholder, or individual.

B. The University is duly authorized and licensed to operate its facilities under the laws, rulings, regulations, and ordinances of the State and the departments, agencies, and political subdivisions thereof and under all other applicable provisions of law. The University has obtained all approvals of the State and of federal, regional, and local

governmental bodies which are necessary for the construction, installation, and operation of the Project Facilities or which are otherwise necessary to permit the Project to be financed or refinanced with the proceeds of the Bonds pursuant to the provisions of the Act. The University's property is in compliance in all material respects with applicable federal, state, and local zoning, subdivision, environmental, land use and other laws, rules, regulations, codes, and ordinances, is in good condition and repair, and is not subject to any mortgages, security interests, liens or encumbrances except for Permitted Encumbrances (as defined in the Negative Pledge Agreement), any such matters described in the audited financial statements of the University for its Fiscal Year ended May 31, 2006, utility easements, restrictions and covenants that do not materially interfere with the use of any such property for the purposes for which it is being used by the University or impair the value thereof, real estate taxes and assessments not yet due and payable, and zoning ordinances.

C. The University has full corporate power under the laws of the State and all other applicable provisions of law and its articles of incorporation and bylaws to execute and deliver and to perform its obligations under this Loan Agreement and the other University Agreements and all corporate action on its part necessary for the valid execution and delivery of this Loan Agreement and the other University Agreements has been duly and effectively taken; and this Loan Agreement and the other University Agreements are and will be the legal, valid and binding obligations of the University, enforceable in accordance with their respective terms, subject to the qualification that the enforcement of such obligations may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting creditors' rights generally and by the availability of equitable remedies or the application of principles of equitable subordination. The execution and delivery by the University of this Loan Agreement and the other University Agreements and the approval by the University of the Indenture and compliance with the provisions thereof will not conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, the articles of incorporation or bylaws of the University or any existing law, court or administrative regulation, decree, order, agreement, indenture, mortgage, lease or instrument by which the University or its property is or may be bound.

D. There does not exist any corporate restriction or any agreement or instrument to which the University is now a party or by which it or any of its property is bound, which would prevent the execution and delivery of this Loan Agreement or the other University Agreements or the performance thereof or result in the creation or imposition of any lien, charge, or encumbrance of any nature upon the University Premises or any part thereof or interest therein, or permit any person to seek injunctive relief as to the execution, delivery, consummation or fulfillment of the terms of any of the foregoing, or with respect to which the execution, delivery or performance hereof or of any other University Agreement would constitute a breach, default or violation.

E. No litigation, proceedings or investigations are pending or, to the knowledge of the University, threatened against the University seeking to restrain, enjoin or in any way limit the execution and delivery of this Loan Agreement or the other University Agreements by the University, or which would in any manner challenge or adversely affect the corporate existence or powers of the University to enter into and carry out the transactions described in or contemplated by or the execution, delivery, validity or performance by the

University of the terms and provisions of this Loan Agreement or the other University Agreements.

F. None of the proceeds of the Bonds will be used, directly or indirectly, to pay, to reimburse the University for the payment of, or to refund indebtedness the proceeds of which were used to pay, for the acquisition, construction, renovation, remodeling or equipping of any of the expenses of any institution, place or building, or any portion thereof, used or to be used for sectarian instruction or study or as a place for devotional activities or religious worship or in connection with any part of the program of a school or department of divinity for any religious denomination or the training of ministers, priests, rabbis or similar persons in the field of religion.

G. The Project Facilities constitute an “industrial building” within the meaning of the Act. The University currently intends to operate the Project Facilities as an “industrial building” within the meaning of the Act from the date hereof to the expiration or earlier termination of this Loan Agreement as provided herein.

H. All audited and unaudited financial statements which the University has heretofore furnished to Issuer or the Purchaser (as defined in the Bond Purchase Agreement) accurately present the financial condition of University as of the respective dates thereof and the results of its operations and cash flows for the periods then ended and were prepared in accordance with generally accepted accounting principles. Since the date of the most recent such financial statements, there has been no material adverse change in the business, properties or condition (financial or otherwise) of the University.

I. All financial and other information provided to the Purchaser by or on behalf of the University (whether in verbal or written form) in connection with University’s request for the Loan is true and correct in all material respects and, as to projections, valuations or pro forma financial statements, present a good faith opinion as to such projections, valuations and pro forma statements and results, and the University has not made to the Purchaser any untrue statement of a material fact or omitted to state a material fact necessary to make any statement made to the Purchaser with respect to this Loan Agreement not misleading.

J. The University has paid or caused to be paid to the proper authorities when due all federal, state and local taxes required to be withheld by it. The University has filed all federal, state and local tax returns that are required to be filed, and has paid or caused to be paid to the respective taxing authorities all taxes as shown on those returns or on any assessment received by it to the extent those taxes have become due.

K. To the best of the University’s knowledge, no elected official, officer or other official of the Issuer has any financial interest whatsoever in the University or in the transactions contemplated by this Loan Agreement.

L. No Default or Event of Default exists.

M. The only trade name used by the University is Bellarmine University.

N. The University has good and marketable fee simple title to all of the University Premises, free and clear of all liens, claims and encumbrances whatsoever, except Permitted Encumbrances (as defined in the Negative Pledge Agreement).

All representations of the University contained herein or in any certificate or other instrument delivered by the University pursuant to any of the University Agreements or the Indenture, or in connection with the transactions contemplated thereby, shall survive the execution and delivery thereof and the issuance, sale and delivery of the Bonds as representations of facts existing as of the date of execution and delivery of the instrument containing such representation.

Section 1.3. Accounting Terms and Determinations. Unless otherwise specified, all accounting terms herein or in the Indenture have the meanings assigned to them, and all computations required under any of the University Agreements or under the Indenture shall be made, in accordance with Generally Accepted Accounting Principles.

ARTICLE 2.

AGREEMENT TO LEND; USE OF PROJECT BOND PROCEEDS; REFUNDING PROJECT

Section 2.1. Agreement to Lend, Use of Project Bond Proceeds. The Issuer agrees to make, solely from the proceeds of the Project Bonds, and the University agrees to accept, a loan of \$27,500,000 (the “Loan”) to pay Costs of the Project. The University’s obligation to repay the Loan shall be as specified in Section 5.1 hereof, together with interest due on the Loan at the interest rate for the Project Bonds as set forth in the Indenture and all other amounts due hereunder. The University acknowledges receipt of the proceeds of the Loan and directs the proceeds to be deposited and disbursed in the manner provided in the Indenture and in accordance with the provisions hereof and thereof and the making of all payments required hereunder as and when the same shall become due.

At the request of the University, and for the purposes and upon fulfillment of the conditions specified in the Indenture, the Issuer may provide for the issuance, sale and delivery of Additional Bonds and loan the proceeds from the sale thereof to the University.

Section 2.2. Refunding Project. The University represents and covenants that it has taken and will take all actions required on its part for the refunding and redemption of the Prior Bonds in accordance with and at the earliest times permitted under the terms thereof.

Section 2.3. Reliance by Bondholders. This Loan Agreement is executed in part to induce the purchase by others of Bonds and, accordingly, all representations, warranties, covenants and agreements on the part of the University and the Issuer, as set forth in this Loan Agreement and the other University Agreements, are hereby declared to be for the benefit of the holders from time to time of the Bonds.

ARTICLE 3.

NEW MONEY PROJECTS

Section 3.1. Construction. The University shall use its best efforts to acquire and construct the improvements and to acquire and install the equipment comprising the Project Facilities with reasonable due diligence and in accordance with all construction contracts and plans and specifications therefor, and all applicable laws and regulations, free and clear of all liens, charges and encumbrances except for the Negative Pledge Agreement and any other rights in favor of the Trustee and the holders of the Bonds. Upon the request of the Trustee, the University shall promptly deliver to the Trustee true, correct and complete copies of all contracts and subcontracts for the construction and/or installation of all or any part of the New Money Projects, including all exhibits, schedules and attachments, and all amendments thereto and change orders, and copies of all plans and specifications therefor, including all modifications and amendments thereto. The University shall pay all such costs of construction and installation to assure that, at all times, the amount in the Construction Fund under the Indenture will be sufficient to complete such construction and installation in the manner provided above, and, upon the reasonable request of the Trustee at any time and from time to time, shall provide to the Trustee an Officers' Certificate to such effect.

Section 3.2. Completion. The completion date of the New Money Projects shall be evidenced by delivery to the Trustee of an Officers' Certificate of the University stating that, except for any Costs of the New Money Projects not then due and payable, or the liability for which the University is disputing or contesting, (i) the New Money Projects have been substantially completed and, where applicable, such completion is, to the best knowledge of such officer, in accordance with the plans and specifications therefor and with all applicable laws, ordinances, rules and regulations, free and clear of any and all liens, claims and encumbrances except as expressly permitted hereby or by the Indenture; and (ii) the Project Facilities are satisfactory to the University and are suitable for use in furtherance of the nonprofit educational purposes of the University. Notwithstanding the foregoing, any such Officers' Certificate may state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. At the time a certificate as provided in this Section 3.2 is delivered to the Trustee, moneys remaining in the Construction Fund, including any earnings resulting from the investment of such moneys, shall be transferred to the Bond Fund to be used to pay principal and interest on the Bonds as the same become due and payable.

ARTICLE 4.

GENERAL OBLIGATION OF UNIVERSITY

Section 4.1. General Obligation of University; Pledge of Gross Revenues. This Loan Agreement is a general obligation of the University. To secure the payment and performance of its obligations hereunder, the University hereby pledges and grants to the Trustee, as assignee of the Issuer hereunder, a first priority lien on and security interest in the Gross Revenues of the University.

Section 4.2. Assignment to Trustee. The Issuer, immediately following execution and delivery hereof, shall assign this Loan Agreement and all amounts payable hereunder, except Unassigned Rights, to the Trustee, in trust, to be held and applied pursuant to the provisions of the Indenture. The University (i) consents to such assignment and accepts notice thereof with the same legal effect as though such notice was embodied in a separate

instrument, separately executed after execution of such assignment; (ii) agrees to pay directly to the Trustee all amounts payable hereunder, except payments as a result of Unassigned Rights, without any defense, setoff or counterclaim arising out of any default on the part of the Issuer under this Loan Agreement or any transaction between the University and the Issuer; (iii) agrees that the Trustee may exercise all rights granted the Issuer hereunder which can be performed by the Trustee; and (iv) agrees to be bound by the obligations of the University set forth in the Indenture.

ARTICLE 5. PAYMENTS

Section 5.1. Payment of Debt Service. The University hereby agrees to make loan payments directly to the Trustee so as to provide for the repayment of the Loan at such times and in such amounts so as to provide for payment of the principal or Redemption Price of and interest on the Bonds Outstanding under the Indenture when due whether upon a scheduled date for the payment of principal or interest, at maturity or by redemption of the Bonds, including Gross-up Interest after the occurrence of an Event of Taxability.

In addition to any credits resulting from payment or prepayment and notwithstanding any provision contained in this Loan Agreement or in the Indenture to the contrary, the principal amount of Bonds delivered to the Trustee with instructions to cancel such Bonds, or purchased by the Trustee and canceled, shall be credited (at 100% of the principal amount of the Bonds so delivered) against the obligation of the University to pay the corresponding principal (including sinking fund installment payments corresponding to mandatory amounts to be deposited into the appropriate sinking fund for such Bonds) in the order provided in the Indenture.

Section 5.2. Optional Prepayment. The University shall be permitted to optionally prepay the Loan hereunder so as to pay, prepay or provide for payment or prepayment of the Bonds, to the extent and in the manner permitted by the Indenture. The Issuer, at the direction of the University, shall pay, redeem or provide for payment or redemption of the Bonds in accordance with the Indenture. Any prepayment shall provide for a corresponding discharge of principal of the Bonds.

Section 5.3. Notice of Prepayment. The University shall give or cause to be given to the Issuer and the Trustee not less than 45 days (or such lesser number of days as is agreed to by the Trustee) prior written notice of any optional prepayment of the Loan, which notice shall designate the date of prepayment and the amount thereof and direct the redemption of Bonds or the portion thereof and in the amounts corresponding to the amount to be prepaid. Such notice may be withdrawn by the University at any time prior to the redemption date.

Section 5.4. Additional Payments. The University agrees to pay the following items to the following persons as additional payments due under this Loan Agreement:

A. To the Trustee or any other paying agent, for the benefit of the Trustee or such paying agent, when due, all reasonable fees of the Trustee and any other paying agent for services rendered under the Indenture and all advances, reasonable attorneys' fees and other

expenses reasonably and necessarily made or incurred by any of them in connection with their services under the Indenture;

B. To the Issuer, prior to the delivery of the Project Bonds, its application fee for the issuance of the Bonds in the amount of \$1,500 and to the Jefferson County Attorney its counsel fees in connection with the authorization and issuance of the Project Bonds in the amount of \$7,000. In addition, the University shall pay to the Issuer, when due, the Issuer's Administrative Expenses, if any, incurred from time to time in connection with the Bonds, as provided in the Indenture; and

C. To the Trustee, the amount of all advances made by it under the provisions of the Indenture or hereof or of any University Agreement, with interest thereon at the Trustee's announced prime rate per annum then in effect from the date of each such advance until paid in full; and

D. To the Trustee, all other amounts payable pursuant hereto or to any University Agreement.

The provisions of this Section shall remain in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason.

Section 5.5. No Abatement or Setoff. The University shall pay, or cause to be paid, all sums required hereunder without suspension or abatement of any nature, notwithstanding that all or any part of the University Premises shall have been wholly or partially destroyed, damaged or condemned and shall not have been repaired, replaced or rebuilt. So long as any of the Bonds remain Outstanding, the obligation of the University to make payments hereunder shall be absolute and unconditional and shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever, regardless of any rights of setoff, recoupment or counterclaim that the University might otherwise have against the Issuer or the Trustee or any other party or parties and regardless of any contingency, natural catastrophe, event or cause whatsoever and notwithstanding any circumstances or occurrence that may arise or take place after the date hereof, including but without limiting the generality of the foregoing:

A. any damage to or destruction of any part or all of the University Premises;

B. the taking or damaging of any part or all of the University Premises, by any public authority or agency in the exercise of the power of or in the nature of eminent domain or by way of a conveyance in lieu of such exercise or otherwise;

C. any assignment, novation, merger, consolidation, transfer of assets, leasing or other similar transaction of or affecting the University, whether with or without the approval of the Issuer or the Trustee;

D. the termination of this Loan Agreement pursuant to the provisions hereof;

E. any failure of the Issuer or the Trustee to perform or observe any agreement or covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement, the other University Agreements, the Indenture or the Bonds;

F. any acts or circumstances that may constitute an eviction or constructive eviction;

G. failure of consideration, failure of title or commercial frustration;

H. any change in the tax laws or other laws of the United States or of any state or other governmental authority;

I. any determination that the interest payable on the Bonds is included in the gross income of the holders for federal income tax purposes; and/or

J. delinquency of any occupant of the University Premises or other Person in the payment of any fees, rentals or other charges owed to the University, whether or not any occupant receives either partial or total reimbursement as a credit against such payment.

Except to the extent provided in and subject to this Section 5.5, nothing contained herein shall be construed to prevent or restrict the University from asserting any rights which it may have under this Loan Agreement, any of the other University Agreements, or any provision of law against the Issuer or the Trustee or any other person.

Section 5.6. Termination. The University's obligations under the Loan Agreement shall terminate after payment in full of the Loan and all other amounts due under this Loan Agreement; provided, however, that the covenants and obligations provided in Sections 1.2, 5.4, 10.2 and 10.4 hereof shall survive the termination of the Loan Agreement and the payment in full of the amounts due hereunder. Upon termination of this Loan Agreement the Trustee, as assignee of the Issuer hereunder, shall pay over to the University any moneys then remaining in any Funds created under the Indenture, which are not required under the Indenture. Notwithstanding any provision of this Section to the contrary, the Loan Agreement shall remain in effect until the payment and retirement of all Outstanding Bonds in accordance with their terms and the terms of the Indenture or the defeasance and discharge of the Indenture in accordance with Article 14 thereof.

ARTICLE 6. INSURANCE, CASUALTY AND CONDEMNATION

Section 6.1. Insurance to be Maintained. The University covenants to provide and maintain, continuously unless otherwise herein provided, insurance against risks of such types and in such amounts as are customarily insured against by similarly situated nonprofit educational institutions in the State, paying when due all premiums in respect to such insurance, including without limitation, to the extent available:

A. public liability insurance against liability for bodily injury, including death, and for damage to the University's property, including loss of its use; and

B. workers' compensation insurance with respect to the University's employees.

Any requirement for insurance herein provided (with the exception of any insurance on the University's physical plant) may be met by a self-insurance plan approved and reviewed annually by the Insurance Consultant and approved by any Regulatory Body having jurisdiction thereof.

All policies of insurance shall be issued by responsible insurance companies with Best's Ratings of "A" or better, qualified to do business in the State and qualified under the laws of the State to assume risks covered by such policy or policies and shall be non-assessable.

In the event that any insurance required by this Section 6.1 is commercially unavailable, based on the advice of the Insurance Consultant, the University may arrange such substitute coverage as is recommended by the Insurance Consultant; provided, however, that no Event of Default shall occur if substitute coverage is unavailable and the University makes a continuing good faith effort to obtain such insurance or such substitute coverage, including self-insurance, as is recommended by the Insurance Consultant. If the insurance becomes commercially available after substitute insurance has been obtained, the University shall obtain, or cause to be obtained, such insurance upon expiration of such substitute insurance or as otherwise recommended by the Insurance Consultant.

Anything to the contrary herein notwithstanding, the University shall hold the Issuer harmless and without liability for any claim whatsoever arising as the result, directly or indirectly, of insufficient insurance under this Section 6.1.

Section 6.2. Notice of Property Loss. Immediately after the occurrence of loss or damage covered by insurance required under Section 6.1, or after notice of condemnation has been received, or the occurrence of any other injury or damage to any property or asset of the University if the reasonably estimated replacement cost thereof then exceeds \$1,000,000, the University shall promptly notify the Issuer and the Trustee.

Section 6.3. Proceeds of Property Damage Insurance; Condemnation.

A. If the University Premises shall be wholly or partially destroyed or damaged by fire or other casualty covered by insurance or shall be wholly or partially condemned or taken, the University may at its option retain an Appraiser who shall promptly determine and deliver to the University a certificate setting forth the fair market value of the remaining undamaged University Premises, taking into account the taking or destruction, as applicable, and if no Event of Default or event which with notice or lapse of time would be an Event of Default has occurred, and the appraisal indicates that the value of the University Premises is equal to at least 150% of the then outstanding long-term debt of the University, the University may apply the proceeds of condemnation or damage to any lawful purpose of the University including restoration of the University Premises. If, however, the value of the remaining undamaged University Premises as set forth in the report is less than 150% of then outstanding long-term debt of the University or the University does not engage an Appraiser, the University shall within 120 days of the event determine whether repair, reconstruction or

replacement of the affected portion of the University Premises is practicable and desirable and shall, promptly thereafter, notify the Trustee whether or not the University will undertake such repair, reconstruction or replacement. If the University determines that repair, reconstruction or replacement is practicable and desirable, the University shall promptly commence such repair, reconstruction, and replacement, shall complete the same with reasonable due diligence, and shall apply all available condemnation awards and insurance proceeds to such project. If an Event of Default has then occurred, or the University determines not to undertake such repair, replacement and reconstruction, it shall deposit all insurance and condemnation proceeds and awards, or payments in lieu thereof, with the Trustee to be used to fund a redemption pursuant to subsection B below.

B. The Bonds shall be subject to redemption prior to maturity at the option of the University, in whole or in part at any time, in any order of maturity selected by the University and within any maturity by lot, upon payment of a redemption price equal to one hundred percent (100%) of their principal amount, plus accrued interest to the date of redemption, but only in the event of a deposit pursuant to Section 6.3.A above or in the event that all or a portion of the University Premises having a value in excess of \$1,000,000 is damaged, destroyed, condemned or sold under threat of condemnation and it is determined by the University that repair or reconstruction is not desirable, practical or financially feasible, from and to the extent of insurance proceeds or condemnation awards or proceeds of any sale under threat of condemnation received as a result of such damage, destruction, condemnation or sale under threat of condemnation.

C. If the Bonds are redeemed pursuant to subsection B. above and any excess insurance proceeds or other moneys are more than sufficient, together with other moneys then available in the funds created under the Indenture for the purpose, to redeem, prepay, or pay at maturity all Bonds then Outstanding under the Indenture, together with interest on the Bonds to the date of such redemption, prepayment, or maturity including any premium, to pay all costs and expenses incident thereto, and to pay any obligations due to the Trustee or the Issuer under the Indenture and this Loan Agreement, any such balance over and above the aforesaid requirements shall be paid to the University after payment in full of the Bonds.

D. In any instance where insurance proceeds or condemnation awards are to be applied to the repair, replacement or reconstruction of the University Premises, the proceeds shall be applied, deposited or disbursed as hereinabove set forth. In any instance where the insurance proceeds or condemnation awards are to be used to redeem Bonds, the University shall deposit any such proceeds in a redemption fund with the Trustee for such purpose.

Section 6.4. Disposition of Liability Insurance Proceeds. The proceeds of all public liability and automobile liability insurance and all workers' compensation insurance required by Section 6.1 shall be applied by the University to the payment of any judgment, settlement or liability incurred for risks covered by such insurance. Any excess over the amount required for such purpose shall be retained by the University.

ARTICLE 7.

INSURER COVENANTS

Section 7.1. Insurer Covenants. As long as any of the Project Bonds remain insured by the Insurer the following provisions shall apply:

A. No Mandatory Call. Except for mandatory redemption from sinking fund installments, there shall be no mandatory redemption of the Bonds upon an Event or Determination of Taxability of the Bonds or otherwise. Redemption of Bonds for casualty or condemnation shall be extraordinary optional redemptions.

B. Payment. The University shall make a deposit with the Trustee or Paying Agent for deposit into the Bond Fund at least twenty (20) days prior to a principal or interest payment date in an amount sufficient to provide for the payment of principal and interest due on such payment date.

C. Acceleration. To the extent the Bonds are subject to acceleration, upon the occurrence of an Event of Default, the indebtedness evidenced by the Bonds shall not be accelerated without the Insurer's prior written consent. At that time, the Insurer may, in its discretion, either direct the accelerated payment of the Bonds or continue to pay principal and interest on the originally scheduled due dates of the Bonds.

D. Defeasance. The following shall be a condition to defeasance:

(i) only non-redeemable obligations of the United States or those for which the full faith and credit of the United States are pledged for the timely payment of principal and interest shall be used;

(ii) a verification report by a verifier acceptable to the Insurer shall be inform and substance satisfactory to the Insurer;

(iii) an opinion of bond counsel shall be rendered to the Insurer to the effect that all of the requirements of the Bond Documents for defeasance of the Bonds have been complied with;

(iv) if the Issuer is a conduit issuer of the Bonds, insured Bonds may be defeased only with securities as set forth in (i) above which constitute Available Monies. Available Monies shall mean any monies on deposit with a trustee for the benefit of bondholders which are (i) bond proceeds or refunding bond proceeds, (ii) amounts on deposit for a period of [124] consecutive days during which no petition in bankruptcy under the U.S. Bankruptcy Code has been filed by or against the entity; which paid such money, and no similar proceedings have been instituted under state insolvency or other laws affecting creditors' rights generally, or (iii) any monies with respect to which an unqualified opinion from nationally recognized counsel has been received stating that such payments to bondholders would not constitute voidable preferences under Section 547 of the U.S. Bankruptcy Code, or similar state or federal laws with voidable preference provisions in

the event of the filing of a petition for relief under the U.S. Bankruptcy Code, or similar state or federal laws with voidable preference provisions by or against the entity from whom the money is received; and

(v) no forward delivery agreements, investment agreements, hedge, purchase and resale agreements or par-put agreements may be used with respect to the investment of any funds or securities defeasing the Bonds without the prior written consent of Radian.

E. Subrogation. In the event that the principal and/or interest due on the Bonds shall be paid by Insurer pursuant to the Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and all covenants, agreements and other obligations of the Issuer and University to the registered owners shall continue to exist and shall run to the benefit of Insurer and Insurer shall be subrogated to the rights of such registered owners.

F. Reporting Requirements. The University must covenant and agree with Radian to provide notification to Radian in the event of any significant change in the financial condition of the University and agree to deliver the following:

(i) annual audited financial statements within one hundred-fifty (150) days of the end of the fiscal year of the University;

(ii) a copy of any audit, budget, or other material report of the University within twenty (20) days of completion of such audit, budget or report and thereafter as updated;

(iii) a copy of any notice or report required to be given to the Trustee, the Paying Agent, the registered owners of the Bonds or any other party to any of the Bond Documents executed in connection with the issuance of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to the Bond Documents relating to the security for the Bonds;

(iv) a copy of any information filed by the University with any NRMSIR under SEC Rule 15c-2(12), simultaneously with the filing with such NRMSIR;

(v) within 45 days of the close of the University's fiscal year, the "Higher Education Statistical Questionnaire" in the form set forth on Schedule 14 hereof; and

(vi) such additional information as the Insurer may reasonably request.

The University will permit Insurer and/or the Insurance Trustee to discuss the affairs, finances and accounts of the Issuer or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Issuer. The University and the Issuer will permit the Insurer and/or the Insurance Trustee to have access to and make copies of all books and records relating to the Bonds, and the security therefor at any reasonable time.

G. Amendment. Any rating agency rating the Bonds must receive notice of each amendment to the Loan Agreement and the Indenture and a copy thereof at least fifteen (15) Business Days in advance of its execution or adoption. The Insurer shall be provided with a full transcript of all proceedings relating to the execution of any such amendment.

H. Properties. The University hereby covenants to continuously maintain insurance on its properties and against such risks (including casualty, accident and worker's compensation) in such amounts and with such deductibles, as are consistent with customary coverage, as from time to time in effect, in connection with the operation of properties of type and size comparable to properties as maintained by entities similar to the University; provided, that property and casualty coverage shall at all times be maintained in an amount at least equal to the outstanding principal amount of the Bonds.

The University shall covenant (i) to cause an independent insurance consultant to annually review the insurance coverage and to make recommendations, and (ii) to comply with such recommendations.

The University will not self-insure without the consent of Radian.

I. Defaults. Any covenant default that remains uncured 30 days after notice of the default from the Trustee or the Insurer shall be deemed an Event of Default, and failure to pay principal of or interest on the Bonds shall be an immediate Event of Default.

Pursuant to the terms of the Account Control Agreement, control of the account or accounts into which the Gross Revenues are deposited will shift to the Trustee during any period within which an Event of Default has occurred and is continuing.

No waivers shall be granted by any party to the Loan Agreement or Indenture without the prior written consent of Radian.

J. Default Rate. Amounts paid by the Insurer in respect of the principal and/or interest on the Bonds shall bear interest until repaid to the Insurer at a per annum rate of interest equal to the rate from time to time announced by the Insurance Trustee as its base lending rate plus three percent (3%).

K. Consent Requirements. The Insurer's consent shall be required for the following purposes: (i) execution and delivery of any amendment or supplement to the Loan Agreement and Indenture (other than an amendment or supplement for the purpose of authorizing additional indebtedness in accordance with the terms of the Loan Agreement or Indenture) or any other document executed in connection with the issuance of the Bonds; (ii) removal of the Trustee or Paying Agent; and (iii) initiation or approval of any action not described in (i) and (ii) above which requires Bondholder consent.

L. Reimbursement. The University shall pay or reimburse the Insurer for any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with the (i) administration, enforcement, defense, or preservation of any rights or security hereunder; (ii) the pursuit of any remedies hereunder or otherwise afforded by law or equity, (iii) any amendment, waiver, or other action with respect to or related to this Loan Agreement or Indenture whether or not executed or completed, (iv) the violation by the University of any law, rule, or regulation or any judgment, order or decree applicable to it, or (v) any litigation or other dispute in connection with this Loan Agreement or Indenture or the transactions contemplated thereby, other than amounts resulting from the failure of the Insurer to honor its payment obligations under the Policy. The Insurer reserves the right to charge an Administrative Fee of \$2,500 as a condition to considering any amendment, waiver or consent proposed in respect of any document or action taken after Closing in connection with the Bonds and the Loan Agreement or Indenture. The Insurer reserves the right to require the payment of the reasonable fees and expenses of its counsel or other agents as a condition to executing any amendment, waiver or consent proposed in respect of any document or action taken after Closing in connection with the Bonds and the Loan Agreement or Indenture. All requests for any such amendments, waivers or consents shall be in writing and accompanied by the payment of the Administrative Fee and directed to Radian Asset Assurance Inc., 335 Madison Avenue, New York, NY 10017, ATTN: Risk Management Department. The obligations of the University to the Insurer shall survive discharge and termination of this Loan Agreement or Indenture.

M. Indemnification. The University shall protect, hold harmless and indemnify the Insurer for, from and against any and all liability, obligations, losses, claims and damages paid or incurred in connection with its business or properties, the Loan Agreement and Indenture and any related instrument (including all environmental liabilities regarding its properties), (except that the University shall not protect, hold harmless or indemnify the Insurer for the willful or wanton acts or omissions, gross negligence of the Insurer, to the extent that such acts, omissions, gross negligence of such party are successfully alleged to have caused the liability, obligation, loss, claim or damage) and expenses in connection herewith including reasonable attorneys' fees and expenses. The obligations of the University to protect, hold harmless, reimburse and indemnify the Insurer as set forth under this Section shall survive any termination, release, satisfaction and discharge of the Loan Agreement and Indenture.

N. Notices. All notices to the Insurer shall be delivered to Radian Asset Assurance Inc., 335 Madison Avenue, New York, NY 10017, Attention: Chief Risk Officer; telephone number - 212-983-5859; facsimile transmission number - 212682-5377; e-mail - Muni_surveillance@radian.biz.

O, Collateral. The University hereby represents and warrants that it has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Gross Revenues that ranks on a parity with or prior to the pledge granted under the Loan Agreement and Indenture, except to secure the obligations disclosed in the Loan Agreement and Indenture that will be outstanding upon issuance of the Bonds. The University hereby represents and warrants that it has not described the Revenues in a Uniform Commercial Code financing statement that will remain effective when the Bonds are issued, except in connection with the foregoing pledges, assignments, liens, and security interests. The University shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security

interest in the Gross Revenues that ranks prior to or on a parity with the pledge granted under the Loan Agreement and Indenture, or file any financing statement describing any such pledge, assignment, lien, or security interest, except as expressly permitted under the Loan Agreement and Indenture.

By the date of issue of the Bonds, the University will have filed all financing statements describing, and pursuant to the terms of an account control agreement, shall have agreed to transfer such possession or control over the Gross Revenues (and for so long as any Bond is outstanding the University will file, continue, and amend all such financing statements and transfer such possession or control) as may be necessary to establish and maintain such priority in each jurisdiction in which the University is organized or the Gross Revenues may be located or that may be otherwise applicable pursuant to Kentucky Commercial Code. At Closing and thereafter, the Issuer and the University will, to the extent required by law, cause the Loan Agreement and Indenture and all supplements thereto, together with all related UCC financing statements or other instruments, to be kept, recorded and filed in such manner and in such places as may be required by law in order to create, perfect, preserve and protect fully the security of the holders of the Bonds in the Gross Revenues and any other collateral and the rights of any Trustee for the holders of the Bonds. The Issuer and the University will covenant that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such further acts, instruments and transfers as may be required for the better securing, assuring, continuing, transferring, conveying, pledging, assigning and confirming unto the holders of the Bonds or any Trustee for the holders of the Bonds, the Revenues and any other collateral pledged to the payment of the principal of, premium, if any, and interest on the Bonds. Except to the extent it is exempt therefrom, the Issuer will pay or cause to be paid all filing fees incident to such filing and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or State fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of such instruments of further assurance.

P. Negative Pledge. In addition to the negative pledge on the Revenues set forth above, the University hereby covenants not to grant any liens or mortgages on its entire campus located in Louisville, Kentucky and any of its other property (real and personal, including endowment funds and after acquired property), except for Permitted Encumbrances.

Q. Merger, Consolidation and Transfer; Disposition of Assets; Obligated Group. The University shall not (i) merge or consolidate with or transfer all or substantially all of its assets to another entity, (ii) dispose of any of its assets other than in the ordinary course of business, or (iii) add to or withdraw members from or form any obligated group, the obligations of which are secured by any assets of the University, unless the University has obtained the prior written consent of the Insurer to undertake any of such actions.

R. Rate Covenant. The University covenants to charge and maintain tuition, fees and other charges sufficient to provide Net Revenues Available for Debt Service at least equal to 1.10x annual debt service on the Bonds and all Parity Debt (as defined below). Net Revenues Available for Debt Service are defined as Unrestricted Revenues minus Unrestricted Expenses, exclusive of Unrealized Gains and Losses on Investments, assuming a 4.5% spending rate on Investments and adding back in Depreciation and Interest on long-term debt.

S. Liquidity Covenant. The University covenants to maintain Expendable Net Assets in an amount not to fall below 25% of operations at the close of each Fiscal Year. Expendable Net Assets are defined as Total Net Assets less Permanently Restricted Net Assets, Net Investments in Plant, Deposits with Bond Trustees, and Deferred Bond Issuance Costs.

T. Additional Debt. Additional bonds or other long-term indebtedness may be issued without Insurer consent if the University can demonstrate that (i) for the two most recent fiscal years for which an audit is available, it had Net Revenues Available for Debt Service at least equal to a ratio of 1.25x maximum annual debt service on all long-term indebtedness to be outstanding after the issuance of such additional bonds; or (ii) Net Revenues Available for Debt Service have generated 1.25X historic coverage for maximum annual debt service for the prior fiscal year and the University projects that for the two fiscal years following the project completion will be at least equal to a ratio of 1.25x maximum annual debt service on all long-term indebtedness to be outstanding after the issuance of such additional bonds, as calculated by an independent consultant's report or 1.40x maximum annual debt service on all long-term indebtedness to be outstanding after the issuance of such additional bonds, as calculated in an Officer's Certificate. In no case may additional long-term indebtedness be issued if maximum annual debt service on the Bonds, any other long-term indebtedness then outstanding and the additional long-term indebtedness proposed to be issued would exceed 10% of Unrestricted Revenues in the most recent fiscal year for which an audit is available.

All additional fixed rate long-term indebtedness secured by a pari-passu lien on the Gross Revenues ("Parity Debt") shall have the same principal and interest payment dates as the Bonds. All additional Parity Debt that is variable rate indebtedness shall have the same principal payment dates as the Bonds.

Refunding Bonds which do not defease all of the insured Bonds may be issued without the consent of the Insurer, provided there is no increase in maximum annual debt service.

Short-term indebtedness (any debt that is not long-term indebtedness) may be incurred if (i) such short-term indebtedness is incurred in the ordinary course of business in an aggregate principal amount not to exceed 15% of Unrestricted Revenues and (ii) all such short-term indebtedness is reduced to zero for a period of at least 20 days.

Variable rate indebtedness (indebtedness which does not bear a fixed rate of interest to maturity) may be incurred without the prior written consent of the Insurer, if the conditions for incurrence of Parity Debt are met and if such indebtedness is assumed to bear interest at 120% of the average interest rate on the University's variable rate indebtedness outstanding for the most recent 24 month period; provided, however, that (i) if such indebtedness has been outstanding for less than 24 months but for at least 12 months, then the interest rate shall be assumed to be 120% of the average rate for the most recent 12 months or the interest rate in effect on the date of calculation, whichever is higher, and (ii) if such indebtedness has been outstanding for less than 12 months, then the interest rate shall be assumed to be 120% of (a) the Securities Industry & Financial Markets Association Swap Index for tax-exempt debt, and (b) LIBOR for taxable debt. Notwithstanding the foregoing, the University shall maintain an Interest Rate Swap or interest rate cap or other hedging arrangement with respect to at least 60% of total

variable rate indebtedness which has not been converted to an interest rate mode with a duration of one year or more outstanding at any time.

Balloon indebtedness (indebtedness of which 25% or more of the principal amount comes or may come due in any one fiscal year by maturity, mandatory sinking fund redemption or optional or mandatory tender by the holder thereof) may be incurred with the prior written consent of the Insurer, and if the above conditions for the incurrence of Parity Debt are satisfied, assuming that such balloon indebtedness is amortized on a level debt service basis over a period of twenty years or the actual remaining term to maturity, whichever is less (alternatively, such balloon Indebtedness may be assumed to mature in accordance with the terms of a binding commitment to pay the debt upon maturity from a financial institution rated “Aa” from Moody’s or “AA” from Standard and Poor’s).

Non-recourse indebtedness (indebtedness which is not a general obligation of the University and which is secured solely by the property acquired or financed with such indebtedness) may be incurred in an aggregate principal amount not to exceed 15% of total Unrestricted Revenues for the prior fiscal year.

Any certifications requiring computations establishing that historical debt service coverage is sufficient to authorize to support the issuance of additional indebtedness or that requisite debt service savings are available to support the issuance of refunding bonds shall, in all cases, be evidenced by a certificate of an independent certified public accountant.

No additional bonds, notes, certificates, contracts or any other obligations for borrowed money shall be insured by the University unless an Event of Default shall have occurred and be continuing with respect to the Bonds.

U. Interest Rate Agreements; Derivative Indebtedness.

“Interest Rate Agreement” means an agreement, commonly known as an “interest rate swap”, pursuant to which the University agrees with a third party to pay or deliver to such party specified amounts in respect of a mutually agreed upon notional amount in exchange for such party’s agreement to pay or deliver to the University specified amounts in respect of such notional amount, all at such rates and over such periods of time as may be mutually agreed upon; provided, however, that no such agreement shall entail any exchange of principal or any assumption of liability for the payment of the principal of or interest on any particular indebtedness of the University or such third party, as the case may be.

Derivative Indebtedness (indebtedness with respect to which the University has obtained an Interest Rate Agreement) shall be deemed to bear interest for the period of time such Interest Rate Agreement is in effect at a net rate that takes into account the regularly scheduled payments made by the University and the regularly scheduled payments made to or received by the University on such Interest Rate Agreement; provided that only such portion of any Derivative Indebtedness as corresponds to the notional amount of such related Interest Rate Agreement shall be deemed to bear interest at such net rate; and provided further that the long-term credit rating of the provider of such Interest Rate Agreement (or any guarantor thereof) is in one of the two highest rating categories of any rating agency (without regard to any refinements

of gradation of rating category by numerical modifier or otherwise). In addition, so long as any indebtedness is deemed to bear interest at a rate taking into account an Interest Rate Agreement, any payments made by the University on such Interest Rate Agreement shall be excluded from expenses and any payments received by the University on such Interest Rate Agreement shall be excluded from revenues.

The University may enter into an Interest Rate Agreement without the consent of the Insurer only if the following conditions are met:

- (i) the Interest Rate Agreement must be entered into as a hedge against debt or assets held at the time of the execution of such Interest Rate Agreement,
- (ii) the Interest Rate Agreement shall not contain any leverage element or multiplier component unless there is a matching hedge arrangement that effectively off-sets the exposure from any such element or component;
- (iii) the payment of the settlement, breakage or other termination amount under such Interest Rate Agreement determined at the time of execution and delivery thereof (based on an assumption of 200 basis points fixed rate reduction for a fixed rate obligation and 200 basis points fixed rate increase for a floating rate obligation) would not cause the Unrestricted Resources (as defined by Standard and Poor's) of the University to be less than 25% of the University's outstanding Parity Debt, and the obligation to make such payment is an unsecured obligation of the University.
- (iv) the counterparty under the Interest Rate Agreement or its guarantor must have a rating of at least "AA-" from Standard & Poor's or "Aa3" from Moody's Investors Service (or such counterparty must agree to post collateral on terms acceptable to the Insurer);
- (v) no payments by the University of any amounts due under the Swap may be collateralized; and all non-regularly scheduled amounts payable by the University under the Swap shall be general, unsecured obligations of the University; and
- (vi) the Interest Rate Agreement may not provide for immediate termination for credit events related to the University (other than a ratings downgrade of the University) unless such events would be an event of default under the Loan Agreement and Indenture.

V. Subordinate Debt. Any debt of the University which is subordinate to the lien of the Bondholders on the Gross Revenues, shall have the same payment dates as the Bonds and provide that such debt may not be accelerated without the consent of the Insurer.

W. Subordination Provisions Applicable to Subordinated Debt.

(a) The indebtedness evidenced by the subordinated debt and any renewals or extensions thereof (herein called "Subordinated Indebtedness"), shall at all times be wholly subordinate and junior in right of payment to any and all indebtedness of the University under the Loan Agreement, the Indenture or the Bonds (herein called "Superior Indebtedness"), in the manner and with the force and effect hereafter set forth:

(1) In the event of any liquidation, dissolution or winding up of the University, or of any execution, sale, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization, or other similar proceeding relative to the University or its property, all principal and interest owing on all Superior Indebtedness shall first be paid in full before any payment is made upon the Subordinated Indebtedness, provided, however, that, except for Gross Revenues, this sentence shall not apply to payments made on such Subordinated Indebtedness from the proceeds of collateral specifically securing such Subordinated Indebtedness; and in any such event any payment or distribution of any kind or character from sources other than the proceeds of collateral specifically securing the Subordinated Indebtedness, except for Gross Revenues, whether in cash, property or securities (other than in securities, including equity securities, or other evidences of indebtedness, the payment of which is subordinated to the payment of all Superior Indebtedness which may at the time be outstanding) which shall be made upon or in respect of the Subordinated Indebtedness shall be paid over to the holders of such Superior Indebtedness, pro rata, for application in payment thereof unless and until such Superior Indebtedness shall have been paid or satisfied in full; and

(2) In the event that the Subordinated Indebtedness is declared or become due and payable because of the occurrence of any event of default hereunder (or under the agreement or Indenture, as appropriate) or otherwise than at the option of the University, under circumstances when the foregoing clause (1) shall not be applicable, the holders of the Subordinated Indebtedness shall be entitled to payments only after there shall first have been paid in full all Superior Indebtedness outstanding at the time the Subordinated Indebtedness so become due and payable because of any such event, or payment shall have been provided for in a manner satisfactory to the holders of such Superior Indebtedness, provided, however, that, except for Gross Revenues, this sentence shall not apply to payments made on such Subordinated Indebtedness from the proceeds of collateral specifically securing such Subordinated Indebtedness.

(b) The University agrees, for the benefit of the holders of Superior Indebtedness, that in the event that any Subordinated Indebtedness is declared due and payable before its expressed maturity because of the occurrence of a default hereunder, (i) the University will give prompt notice in writing of such happening to the holders of Superior Indebtedness and (ii) all Superior Indebtedness shall forthwith become immediately due and payable upon demand, regardless of the expressed maturity thereof.

(c) Any default in the covenants contained in this section shall be an immediate “Event of Default” without regard to any “grace period” otherwise contained herein.

(d) If the holder of the Subordinated Indebtedness is a commercial bank, savings bank, savings and loan association or other financial institution which is authorized by law to accept and hold deposits of money or issue certificates of deposit, such holder must agree to waive any common law or statutory right of setoff with respect to any deposits of the University maintained with or held by such holder.

ARTICLE 8.
ADDITIONAL COVENANTS OF UNIVERSITY

Section 8.1. Insurance Consultant. The University covenants and agrees that, not less often than every two years and otherwise whenever the services of an Insurance Consultant are required to carry out the provisions hereof, it shall retain an Insurance Consultant to review the risks to which the University is exposed and the adequacy of the University's insurance coverage therefor, and shall cause such Insurance Consultant to file a copy of its report with the Trustee promptly upon completion thereof.

Section 8.2. University Books and Records; Audits. The University covenants to keep accurate records and books of account with respect to its revenues and expenditures in accordance with Generally Accepted Accounting Principles and, within one hundred fifty (150) days after the end of each Fiscal Year, to have made an audit of its financial statements by a Certified Public Accountant.

The University further covenants that at any time during the term of this Loan Agreement it shall make available to the Trustee upon written request therefor such internal operating and financial reports as have been prepared, on a monthly basis or otherwise, by the University and if, applicable, any report thereon by its Certified Public Accountant.

The University shall make available to the Certified Public Accountant conducting the University's annual audit all records of the University which such Certified Public Accountant requires to complete its audit.

Section 8.3. Operation and Maintenance. The University covenants to maintain the University Premises in good repair and operating condition, to operate the same continuously in an economical and efficient manner and to make all repairs, renewals, replacements and improvements in order to maintain adequate service and operations for a nonprofit institution of higher education of similar size and reputation. The provisions of this Section shall not apply, however, to real estate or equipment to the extent that in the opinion of a proper officer of the University such real estate or equipment has become obsolete, unsuitable or unnecessary. The University further covenants that it will not commit or suffer any stripping or waste of the University Premises.

Section 8.4. Compliance with Laws. The University covenants that all actions heretofore and hereafter taken by the University to acquire and carry out the acquisition, construction, and installation of the Project Facilities, including the making of contracts, have been and will be in compliance in all material respects with all pertinent laws, ordinances, rules, regulations and orders applicable to the University. In connection with the operation, maintenance, repair and replacement of the University Premises, the University covenants that it shall comply in all material respects with all applicable ordinances, laws, rules, regulations and orders of the government of the United States of America, the State, the municipalities in which the University Premises or any part thereof are located, and any requirement of any board of fire insurance underwriters having jurisdiction or of any insurance company writing insurance on the University Premises. The University further covenants and represents that to the best of its knowledge the University Premises, including the Project Facilities, are in compliance in all

material respects with all applicable zoning, subdivision, building, land use, environmental and all other laws, ordinances, rules and regulations. The University covenants that it shall not take any action or request the Trustee to execute any release which would cause the University Premises to be in material violation of any such law or ordinance or such that a conveyance of the University Premises or of any portion thereof would create a material violation of such laws and ordinances.

Section 8.5. Preservation of Status, Licensure, and Corporate Status; Merger and Consolidation. The University covenants (i) to preserve and to maintain its existence as a nonprofit corporation under the laws of the State, and to preserve its Articles of Incorporation and its Bylaws (except that appropriate amendments may be made thereto in connection with any transactions contemplated by this Section) so that it will be, to the extent permitted by law at any given time, free from Federal taxes to the extent such action is required to preserve the tax-exempt status of the Bonds in the opinion of Bond Counsel and (ii) to preserve and maintain its authority to operate the University Premises as an institution of higher education in the State; provided, however, that nothing herein shall preclude the University, as a nonprofit corporation, from engaging in activities unrelated to its eleemosynary purpose or from earning income from such activities so long as such activity or income does not cause interest on the Bonds to be included in the gross income of the holders for Federal income tax purposes. The University covenants that during the term of this Loan Agreement it shall not initiate any proceedings or take any action whatsoever to dissolve or liquidate or to terminate its existence as a corporation except to consolidate or to merge with another entity as provided herein. The University covenants that during the term of this Loan Agreement it shall not consolidate with, transfer all or any significant part of its assets to, or merge with or into any other entity, unless all of the following conditions shall be met:

A. The successor, transferee or surviving entity shall be a nonprofit corporation, or similar entity, organized under the laws of the United States, or any state, district or territory of the United States;

B. The successor, transferee or surviving entity (if not the University) agrees expressly, in writing, to assume the obligations of the University under this Loan Agreement and the other University Agreements to the same extent as if such successor, transferee or surviving entity had been the original borrower under this Loan Agreement;

C. Immediately after such consolidation, transfer or merger, the University, or such successor, transferee or surviving entity, shall not be in default in the performance or observance of any duties, obligations or covenants of the University under this Loan Agreement or the other University Agreements;

D. The Trustee shall have received opinions of Bond Counsel and the University's Counsel, respectively, not unsatisfactory to the Trustee that (i) the exclusion of interest on the Bonds from the gross income of the holder for Federal income tax purposes will not be affected by such consolidation, transfer or merger; (ii) the obligations assumed by any successor transferee or surviving entity pursuant to this Section are legal, valid, binding and enforceable, subject as to enforceability to bankruptcy, insolvency, moratorium, or other laws or

equitable principles affecting creditors' rights generally; and (iii) all of the conditions required for such consolidation, transfer or merger set forth in this Section 8.5 have been satisfied.

Section 8.6. Tax Exemption of University and Bonds.

A. The University represents and warrants that, as of the date of this Loan Agreement:

(1) it has received a determination of the Internal Revenue Service that it is an organization described in Section 501(c)(3) of the Code and is not a private foundation as defined in Section 509 of the Code, and such determination has not been revoked and is not subject to any challenge;

(2) it is not in violation of any conditions imposed by applicable law and regulations as a condition to its being so described; and

(3) it is exempt from Federal income tax under Section 501(a) of the Code.

B. The University covenants that throughout' the term of this Loan Agreement:

(1) it will take whatever actions are necessary to continue to be organized and operated in a manner which will preserve and maintain such Federal income tax status of the University;

(2) it will not perform any acts nor enter into any agreements which shall cause any revocation or adverse modification of such Federal income tax status of the University;

(3) it will not carry on or permit to be carried on in any property financed or refinanced with proceeds of the Bonds (or with Bond proceeds or the proceeds of any loan refinanced with the Bond proceeds) any trade or business the conduct of which (a) is not substantially related (aside from the need of the University for income or funds or the use it makes of the profits derived) to the exercise or performance by the University of purposes or functions described in Section 501(c)(3) of the Code, and (b) would cause the interest on the Bonds to be includable in gross income for Federal income tax purposes; and

(4) it will not take any action or permit any action to be taken on its behalf, or cause or permit any circumstances within its control to arise or continue, if such action or circumstances would cause the interest on the Bonds to be includable in gross income for Federal income tax purposes.

Section 8.7. Inspection. The University covenants that the Trustee, by its duly authorized representatives, upon reasonable notice and at reasonable times, may inspect all or any part of the University Premises and any and all books and records of the University.

Section 8.8. Additional Information. The University agrees, whenever requested by the Issuer, to provide and certify or cause to be provided and certified such information concerning the Project, the University, the University Premises, the finances of the University, and other matters as the Trustee considers necessary or advisable.

Section 8.9. Certain Notices to Be Given. The University covenants and agrees that it will give to the Trustee, as promptly as practicable but in no event later than five (5) business days after the same shall first become known to the University, notice of the occurrence of any Event of Default or of any event which, with the passage of time or the giving of notice, or both, would constitute an Event of Default.

Section 8.10. Bonds Not to Become Arbitrage Bonds. As provided in the Indenture and the Tax Compliance Agreement, the Trustee will invest moneys held by the Trustee as directed by the University. The Issuer and the University hereby covenant with each other and with the holders of the Bonds that, notwithstanding any other provisions of this Loan Agreement or any other instrument, they will neither make nor instruct the Trustee to make any investment or other use of the proceeds of the Bonds, or take or omit to take any other action which would cause the Bonds to be arbitrage bonds under Section 148 of the Code and the regulations thereunder, and that they will comply with the requirements of the Code and applicable regulations throughout the term of the Bonds so that the interest on the Bonds shall be excluded from gross income of the holders of the Bonds for federal income tax purposes.

Section 8.11. Environmental Matters. The University covenants to comply in all material respects (and to cause all occupants of the University Premises to comply) in all material respects with all federal, state and local laws, ordinances, rules and regulations pertaining to the environment and human health and safety (collectively, "Environmental Laws"), including, without limitation, those regulating hazardous or toxic wastes and substances, asbestos, or petroleum products or underground storage (as such phrases may be defined in any Environmental Law), and to give prompt written notice to the Trustee and the Issuer of any material violation or alleged material violation of any Environmental Law with respect to the University Premises. The University represents that it is not aware of any existing violation of any Environmental Law by the University or the University Premises, including the Project Facilities.

Section 8.12. Accreditation. At all times during the term hereof the University shall maintain its accreditation by at least one nationally recognized accreditation agency as a post-secondary liberal arts teaching institution.

Section 8.13. Payment of Taxes and Other Claims. The University will pay or discharge, when due, (a) all taxes, assessments and governmental charges levied or imposed upon it or upon its income or profits, upon any properties belonging to it (including the Project), prior to the date on which penalties attach thereto, (b) all federal, state and local taxes required to be withheld by it, and (c) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon any University Premises, or any part thereof; provided that the University shall not be required to pay any tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings unless the contest would adversely affect the rights or interests of the Issuer or the Trustee. The University

will pay, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project Facilities, as well as all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project Facilities.

Section 8.14. Change in Name or Corporate Structure of University; Change of University's Principal Place of Business. The University's chief executive office is located at address set forth in Section 10.8 hereof, and all of the University's records relating to its business and the Project Facilities are kept at that location. The University shall provide written notice to the Trustee and Issuer of any change or proposed change in its name, corporate structure, place of business or chief executive office or change or proposed change in the location of the Project Facilities. Such notice shall be provided 30 days in advance of the date that such change or proposed change is planned to take effect.

Section 8.15. Sale of Assets. The University will not sell, lease, assign, transfer or otherwise dispose of all or a substantial part of its assets or of any of the Project Facilities or any interest therein (whether in one transaction or in a series of transactions).

ARTICLE 9. EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default. The occurrence of any of the following events shall constitute an Event of Default hereunder:

A. the University fails to make any payment required by Article 5 hereof or by the Indenture, which payment shall be required for payment of the principal or Redemption Price of, or interest on, the Bonds, when the same shall become due and payable, with or without notice to the University;

B. any representation of the University herein or in any other University Agreement was untrue as of the effective date thereof;

C. any violation, breach, failure or default under or with respect to any financial covenant contained in Article 7 hereof;

D. any violation, breach, failure or default under or with respect to any of the covenants or provisions of Sections 8.5, 8.6 or 8.10 hereof;

E. an Event of Default occurs under the terms of the Indenture which causes all the Bonds to be due and payable;

F. an Event of Default occurs under any University Agreement;

G. the University proposes or makes an assignment for the benefit of creditors or a composition agreement with all or a material part of its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the University or any of its assets or revenues, or there is commenced

any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor rehabilitation, creditor adjustment, foreclosure or insolvency, local, state or federal, by or against the University and if such is not commenced by the University it is not vacated, dismissed or stayed on appeal within sixty (60) days; or

H. the University fails to perform any of its other covenants herein or in any of the other University Agreements and such failure continues for thirty (30) days after the Trustee gives the University notice thereof or the University gives notice thereof under Section 8.9 hereof, whichever is earlier; provided, however, that if such performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30-day period, no Event of Default shall be, with the prior written consent of the Insurer, deemed to have occurred or to exist if, and so long as, the University shall commence such performance within such 30-day period and shall diligently and continuously prosecute the same to completion; provided that such cure period shall not be extended for more than 90 days after such notice in any event.

Section 9.2. [Reserved].

Section 9.3. Appointment of Receiver. In case of any proceeding of the Trustee wherein appointment of a receiver may be permissible, the Trustee, as a matter of right and immediately upon institution of each such proceeding, without notice to the University, shall be entitled to appointment of a receiver of the University Premises with such powers as the court making such appointment can confer; subject, however, to any limitations and restrictions of the Act.

Section 9.4. Additional Remedies. If any Event of Default shall happen, then and at any time thereafter while said Event of Default is continuing, the Trustee may take any action at law or in equity to collect amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the University under this Loan Agreement and/or any of the other University Agreements, or any other action provided for in the Indenture. The Trustee may exercise any one or more of the remedies available to it separately or concurrently and as often as required to enforce the University's obligations. In addition to the other remedies provided herein, the Trustee shall be entitled to the restraint by injunction of the violation, or attempted or threatened violation by the University, of any of the covenants, conditions or provisions hereof or any other University Agreement, or to a decree compelling specific performance of any of such covenants, conditions or provisions.

Section 9.5. Waivers. No failure by either party to insist upon strict performance hereof or to exercise any remedy upon the occurrence of an Event of Default shall constitute a waiver of such default, or a waiver or modification of any provision hereof.

Section 9.6. Remedies Not Exclusive. All rights and remedies herein given are in addition to any and all rights and remedies that the Issuer or the Trustee may have or be given by reason of any law, statute, ordinance or otherwise.

Section 9.7. Expenses. If the University shall default under any of the provisions of this Loan Agreement and the Issuer or the Trustee shall employ attorneys or incur

other expenses for the collection of amounts payable hereunder or for the enforcement of performance or observance of any obligation or agreement on the part of the University contained in this Loan Agreement or any of the other University Agreements, the University will on demand therefor reimburse the Issuer or the Trustee, as the case may be, for the reasonable fees of such attorneys and such other reasonable expenses so incurred, with interest thereon at the Trustee's announced prime rate per annum then in effect from the date of payment thereof by the Issuer or Trustee, as applicable, until paid in full.

ARTICLE 10. MISCELLANEOUS

Section 10.1. Consent to Indenture. The University acknowledges that it has received an executed copy of the Indenture, and that it is familiar with its provisions, and agrees to be bound to the fullest extent permitted by law to all provisions thereof directly or indirectly relating to it and further agrees that it will take all such actions as are required or contemplated of it under the Indenture to preserve and protect the rights of the Trustee and of the Bondholders thereunder and that it will not take any action which would cause a default thereunder or jeopardize such rights. It is agreed by the University and the Issuer that all redemption of Bonds prior to maturity shall be effected as provided in the Indenture.

The University hereby assumes and agrees to perform all of the covenants and other obligations of the Issuer under the Indenture, excepting only any approvals, consents or certificates permitted or required to be given by the Issuer thereunder, and those covenants or obligations the performance of which is within the power of the Issuer but not the University to perform, including but not limited to those covenants and conditions contained in Section 2.2 (relating to the execution of the Bonds), Section 3.1 (relating to the application of the proceeds of the Bonds), Section 8.2 (requiring the Issuer to maintain its corporate existence so long as permitted by applicable law), and Section 8.6 (prohibiting the Issuer from taking any action which would impair the rights of the Bondholders and requiring it to pay over to the Trustee money received by it in respect of the University Premises which are not otherwise assigned to the Trustee). However, nothing contained herein shall prevent the Issuer from choosing from time to time, in its discretion, to perform any of such covenants or other obligations.

Section 10.2. Payment by Issuer of University Obligations. If the University at any time fails to take out, pay for, maintain or deliver any of the insurance policies provided for in Article 6, or upon the occurrence of any other Event of Default, then the Trustee as assignee of the Issuer hereunder may, but shall not be obligated so to do, and without further notice to or demand upon the University and without waiving or releasing the University from any of its obligations in this Loan Agreement contained, (a) take out, pay for and maintain any of the insurance policies provided for in Article 6, or (b) make any other payment or perform any other act on the University's part to be made or performed as in this Loan Agreement provided. Any sums so paid by the Trustee shall be payable to the Trustee by the University, together with interest thereon at the prime rate of interest announced by the Trustee from time to time during the period from the date such sums are paid by the Trustee to the date of payment thereof by the University, on demand, or at the option of the Trustee may be added to any payment due or thereafter becoming due under this Loan Agreement, and the University covenants to pay any such sums.

Section 10.3. Severability. If any term or provision hereof or the application thereof for any reason or circumstances shall to any extent be held to be invalid or unenforceable, the remaining provisions or the application of such term or provision to persons other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision hereof shall be valid and enforceable to the fullest extent permitted by law.

Section 10.4. No Personal Recourse, Indemnification of Issuer and Trustee. In the exercise of the power of the Issuer and its elected officials, officers, employees and agents hereunder including (without limiting the foregoing) the application of moneys and the investment of funds or in the event of default by the University, neither the Issuer, the State or any agency or political subdivision of the State, nor, their respective elected officials, officers, employees, and agents (each an “Indemnified Party” and collectively the “Indemnified Parties”) shall be accountable to the University for any action taken or omitted by such Indemnified Party in good faith and believed by such Indemnified Party to be authorized or within the discretion of rights or powers conferred. The Indemnified Parties shall be protected in their acting upon any paper or document believed by them to be genuine, and they may conclusively rely upon the advice of Counsel and may (but need not) require further evidence of any fact or matter before taking any action. No recourse shall be had by the University for any claims based hereon or on the Indenture against any elected official, member, director, officer, employee or agent of the Issuer or the State or any agency or political subdivision thereof alleging personal liability on the part of such person. The University shall have no recourse against any assets of the Issuer whether now or hereafter owned by it.

The University will indemnify and hold harmless the Indemnified Parties against any and all claims, losses, damages or liabilities (including reasonable attorneys’ fees), joint or several, to which any Indemnified Party may become subject, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of the Project, the Indenture, this Loan Agreement, or the University Premises or are based upon any other alleged act or omission in connection with the issuance of the Bonds by the Issuer under the Indenture unless the losses, damages or liabilities arise from an adjudication of bad faith or fraud or deceit of an Indemnified Party. In the event any claim is made or action brought against an Indemnified Party, the Indemnified Party may direct the University to assume the defense of the claim and any action brought thereon and pay all reasonable expenses incurred therein; or may assume the defense of any such claim or action, the costs of which shall be paid in the same manner as other Administrative Expenses of the Issuer. The defense of any such claim shall include the taking of all actions reasonably necessary or appropriate thereto.

The University hereby agrees to indemnify the Trustee, and each director, officer, and employee of the Trustee, and hold it and them harmless from and against any and all claims, liabilities, losses, actions, suits or proceedings, at law or in equity, which it or they may incur or with which it or they may be threatened by reason of it acting as Trustee under the Indenture and with respect to this Loan Agreement, any of the other University Agreements, and the Bonds, except in the case of the Trustee’s own willful misconduct or negligence; and in connection therewith to indemnify the Trustee and each director, officer and employee of the Trustee against any and all expenses, including reasonable attorney’s fees and the cost of defending any action, suit or proceeding or resisting any claim. There shall be no personal liability of any director,

officer, or employee of the University in executing this Loan Agreement or any of the other University Agreements or in carrying out any provision hereof.

The obligations of the University under this Section shall survive the termination of this Loan Agreement.

Section 10.5. Reference to Statutes or Regulations. A reference herein to a statute or to a regulation issued by a governmental agency includes the statute or regulation in force as of the date hereof, together with all amendments and supplements thereto and any statute or regulation substituted for such statute or regulation, unless the specific language or the context of the reference herein clearly includes only the statute or regulation in force as of the date hereof.

A reference herein to a governmental agency, department, board, commission or other public body or to a public officer includes an entity or officer which or who succeeds to substantially the same functions as those performed by such public body or officer as of the date hereof, unless the specific language or the context of the reference herein clearly includes only such public body or public officer as of the date hereof.

Section 10.6. Governing Law. The laws of the State shall govern the construction hereof.

Section 10.7. Supplements and Amendments to Loan Agreement. The parties hereto from time to time may enter into any written amendments hereto (which thereafter shall form a part hereof) as shall not adversely affect the rights of or the security of the holders of the Bonds, and with the prior written consent of the Insurer, only for the following purposes:

A. to grant to or confer upon the Trustee any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon it; or

B. to reflect a change in applicable law including, but not limited to, any change in the Code;

C. in connection with the issuance of Additional Bonds as and to the extent expressly permitted under the Indenture; or

D. to provide terms not inconsistent with the Indenture or this Loan Agreement; provided, however, that this Loan Agreement as so amended or supplemented shall provide at least the same security for holders of Bonds issued under the Indenture as the Loan Agreement in the form originally executed and delivered.

All other amendments must be approved by the Trustee and, if required by the Indenture, the holders of the Bonds, in the same manner and to the same extent as is set forth in Article 13 of the Indenture. In executing any amendment to this Loan Agreement or any of the other University Agreements, the Trustee shall be fully protected by a Favorable Opinion of Bond Counsel and an opinion of Counsel (who may be such Bond Counsel) that such amendment is permitted and has been duly authorized and that all things necessary to make it a valid and binding agreement have been done.

Section 10.8. Notices. All notices required or authorized to be given by the University, the Issuer or the Trustee pursuant to this Loan Agreement or any of the other University Agreements shall be effective if in writing and delivered or sent by registered or certified mail, postage and other delivery charges prepaid, or by telecopy, or reputable courier service to the parties at their respective following addresses:

If to the University, to:

Bellarmino University
2001 Newburg Road
Louisville, Kentucky 40205
Attention: Vice President for Administration and Finance

If to the Issuer, to:

Louisville/Jefferson County Metro Government
527 W. Jefferson Street
Louisville, Kentucky 40202
Attention: Mayor

If to the Trustee, to:

U.S. Bank National Association

_____, Kentucky _____
Attention: Corporate Trust Services

If to the Insurer, to:
Radian Asset Assurance Inc.
335 Madison Avenue
New York, NY 10017
Attention: Chief Risk Officer

or to other valid U.S. Postal Service address as may from time to time be furnished by any party to the other parties in the manner provided herein. Each such notice shall be effective (i) at 5:00 P.M. (Eastern Time) on the second business day after deposit in the U.S. certified or registered mail, (ii) 3 hours after transmittal by telecopy with evidence of transmission, or (iii) at 2:00 P.M. (Eastern Time) on the next business day after deposit with a reputable overnight courier service for next day delivery.

The University, the Issuer, and the Trustee shall each send in the same manner a duplicate copy or executed copy of each notice, certificate, correspondence or other material or data delivered hereunder to each of the others

Section 10.9. Counterparts. This Loan Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original, and such counterparts shall constitute but one and the same instrument.

Section 10.10. Headings. All headings herein are for convenience of reference only and shall not affect the interpretation of this Loan Agreement.

Section 10.11. Payment on Non-Business Days. Whenever any payment to be made hereunder shall be stated to be due on a day that is a Saturday or Sunday or a day on which banks are generally not open for business in Louisville, Kentucky, that payment may be made on the next succeeding day that is not a Saturday or Sunday or that is a day on which banks are generally open for business in Louisville, Kentucky, and such extension of time shall in such case be included in the computation of interest or the fees hereunder, as the case may be.

Section 10.12. Further Assurance and Corrective Instruments. The University and the Trustee and the Issuer will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any further acts, instruments, conveyances, transfers and assurances that Trustee reasonably deems necessary or advisable for the implementation, correction, confirmation, recording, filing or perfection of the University Documents and any rights of the Trustee thereunder.

Section 10.13. Binding Effect; Time of the Essence. This Agreement shall inure to the benefit of and shall be binding upon the Trustee, the Issuer, and the University and their respective successors and assigns, but may not be assigned by the University except as expressly permitted herein. Time is of the essence of all terms, provisions and covenants herein.

Section 10.14. Entire Agreement. This Loan Agreement, the other University Agreements, the Indenture, the Bonds, and the exhibits hereto and thereto constitute the entire agreement among the Trustee, the Issuer, the Purchaser and the University with respect to the subject matter thereof. Neither this Agreement nor any of such other documents may be amended or modified or waived in any respect except by written instrument signed by or on behalf of the party against which enforcement thereof is sought.

IN WITNESS WHEREOF, Louisville/Jefferson County Metro Government has caused this Loan Agreement to be executed in its name and in its behalf by its Mayor and attested by its Metro Council Clerk, and Bellarmine University Incorporated has caused this Loan Agreement to be executed in its name and in its behalf by its Vice President of Administration and Finance, all as of the day and year first above written.

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT

By: _____
Mayor

Attest:

By: _____
Clerk of the Metro Council

APPROVED AS TO FORM AND LEGALITY:
Irv Maze

Jefferson County Attorney

By: _____
James Carey, Assistant County Attorney

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4-18-08

BELLARMINE UNIVERSITY
INCORPORATED

By: _____
Vice President of Administration and
Finance

ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS that Louisville/Jefferson County Metro Government (the "Issuer"), pursuant to an ordinance of its Metro Council heretofore duly adopted, does hereby sell, assign, transfer, and set over to U.S. Bank National Association, having a corporate trust office in _____, _____, as trustee (the "Trustee") under the Trust Indenture dated as of May 1, 2008 (the "Indenture"), between the Issuer and the Trustee, all the right, title and interest of the Issuer in and to the Loan Agreement dated as of May 1, 2008 (the "Loan Agreement") between the Issuer and Bellarmine University Incorporated, as well as all payments payable or which may become payable thereunder and all security therefor (except for amounts constituting Unassigned Rights as defined in the Loan Agreement), the same to be held in trust and applied by the Trustee as provided in the Indenture; and the Issuer does hereby constitute and appoint the Trustee its true and lawful attorney for it and in its name to collect and receive payment of any and all such payments and to give good and sufficient receipts therefor, hereby ratifying and confirming all that the attorney may do in the premises. The Trustee may, but, except as otherwise provided in the Indenture, shall not be required to, institute any proceedings or take any action in its name or in the name of the Issuer to enforce payment or collection of any or all of such payments.

Notwithstanding such assignment and transfer, so long as the Issuer shall not be in default under the Indenture:

(1) The Issuer shall have the right and duty to give all approvals and consents permitted or required of the Issuer under the Loan Agreement;

(2) The Issuer shall have the right to execute supplements and amendments to the Loan Agreement to the extent and in the manner permitted by the Loan Agreement and the Indenture; and

(3) There shall be no responsibility on the part of the Trustee for duties or responsibilities of the Issuer contained in the Loan Agreement and in any supplements or amendments thereto.

IN WITNESS WHEREOF, Louisville/Jefferson County Metro Government has caused this Loan Agreement to be executed in its name and in its behalf by its Mayor and attested by its Metro Council Clerk, and Bellarmine University Incorporated has caused this Loan Agreement to be executed in its name and in its behalf by its Vice President of Administration and Finance, all as of the day and year first above written.

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT

By: _____
Mayor

Attest:

By: _____
Clerk of the Metro Council

APPROVED AS TO FORM AND LEGALITY:
Irv Maze

Jefferson County Attorney

By: _____
James Carey, Assistant County Attorney